



Since 1951

## CENTRAL ARKANSAS TELEPHONE COOPERATIVE, INC.

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ACCEPTED/FILED

May 9, 2012

MAY 29 2013

Federal Communications Commission  
Office of the Secretary

Trent Hartrader  
Chief, Telecommunications Access Policy Division  
Federal Communications Commission  
Room 5-A526  
445 12<sup>th</sup> Street SW  
Washington, DC 20554

10/21  
MAY 29  
5-2-12  
S-A-12

RE: Central Arkansas Telephone Company, Inc. - Study Area 401697  
Prepaid Other Post-retirement Employee Benefits

Dear Mr. Hartrader:

By this letter, Central Arkansas Telephone Company, Inc. (Central Arkansas) requests that the Commission grant it the authority to include in its rate base the interstate portion of its prepaid Other Post-retirement Employee Benefits (OPREB).

### Background

Central Arkansas is a rate of return incumbent local exchange carrier (ILEC), and it participates in the National Exchange Carrier Association (NECA) common line and traffic sensitive pools. Central Arkansas serves approximately 2,457 lines in the state of Arkansas. As a NECA pool participant, Central Arkansas is an issuing carrier for the NECA access tariff, NECA Tariff F.C.C. No. 5, and bills rates prescribed in that tariff.

Central Arkansas engages CHR Solutions, Inc. (CHR) to assist in completing its annual cost separations studies used in reporting its interstate costs to NECA. These costs are included in the NECA pools. Central Arkansas's rate base is a key factor in the determination of its revenue requirement for each of the NECA pools.

As a benefit to its employees, Central Arkansas offers post-retirement benefits, including health care and life insurance. These benefits are generally referred to as "Other Post-retirement Employee Benefits" (OPREB). These benefits are pre-funded by Central Arkansas through a pre-funding trust sponsored by the National Telephone Cooperative Association (NTCA). Central Arkansas's financial statements reflect an OPREB related prepaid balance includible in Account 1410 of \$1,518,069 as of December 31, 2011.

Section 65.820(g) of the Commission's rules allows inclusion of amounts in Account 1410 in the rate base, "only to the extent that they have been specifically approved by this Commission for inclusion." In its 1997 Part 65 OPREB Treatment Order, the Commission established that where a carrier "can show that any of its assets recorded in Account



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1410 (including prepaid OPFB) meet the used-and-useful standard, we will allow that asset to be included in the interstate rate base."

Central Arkansas's request in this letter is similar to that made by Roosevelt County Rural Telephone Cooperative Inc. (Roosevelt) in a letter to the Wireline Competition Bureau dated October 25, 2004 (Roosevelt OPFB Letter Request). In its letter, Roosevelt requested Commission approval to include in its rate base the interstate portion of prepaid post-retirement health benefits recorded in Account 1410. On March 14, 2006, the Commission released an order (Roosevelt OPFB Order) granting Roosevelt's request.

**Petition**

In accordance with section 65.820(c) of the Commission's rules, Central Arkansas seeks approval to include the interstate portion of its prepaid Accumulated Post-retirement Benefit Obligation (APBO) in its rate base. For the 2011 cost separations study, the addition to the average rate base would be approximately \$1,500,000. The estimated interstate access portion of this addition to the 2011 cost study year rate base would be \$476,247, and the estimated interstate return on the interstate portion of the prepaid APBO would be \$53,578 at the current 11.25% interstate rate of return. While the size of the increased settlement is significant to Central Arkansas, we believe that any impact on the overall NECA pool revenue requirements and universal service funding would be *de minimis*.


Central Arkansas's accumulated prepaid amounts associated with OPFB are maintained in a trust with NTCA. The amounts earn interest and serve to reduce the annual expenses associated with OPFB obligations. Therefore, Central Arkansas's prepaid OPFB amounts meet the Commission's used-and-useful standard. Attached is a letter from the NTCA attesting to these facts.

Based on the fact that Central Arkansas's prepaid OPFB amounts meet the Commission's used-and-useful standard and consistent with the Roosevelt OPFB Order in response to the Roosevelt OPFB Letter Request, Central Arkansas requests that the Commission grant authority for Central Arkansas to include in its rate base the interstate portion of the prepaid OPFB amounts recordable in Account 1410 effective with the date that such prepayments were made.

Please direct any requests for information or questions in regard to this petition to:

CHIR Solutions, Inc.  
Milice Czarwinski, Vice President -- Financial Services  
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Yours truly,

  
Steve Paris  
General Manager  
Central Arkansas Telephone Company, Inc.  
Attachment